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Arizona Corporation Commission

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Attorneys for Arizona Public Service Company

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

TOM FORESE, Chairman  
BOB BURNS  
ANDY TOBIN  
BOYD DUNN  
JUSTIN OLSON

E-01345A-18-0226

IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR APPROVAL OF ITS 2019  
RENEWABLE ENERGY STANDARD  
IMPLEMENTATION FOR RESET OF  
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-18-\_\_\_\_\_

**APPLICATION FOR APPROVAL  
OF 2019 RES IMPLEMENTATION  
PLAN**

The attached 2019-2023 Renewable Energy Standard Implementation Plan (2019 RES Plan or Plan) continues Arizona Public Service Company's commitment to the renewable energy targets established by the Commission's RES rules. Arizona Public Service Company ("APS") submits its 2019 RES Plan (attached as Exhibit A) under A.A.C. R14-2-1813 and in accordance with Staff's standardized reporting format developed in Decision No. 72737 (Jan. 18, 2012).

APS's 2019 RES Plan requests funding for previously-authorized programs, including legacy performance-based incentives, renewable purchase power costs and ongoing program administrative costs, educational outreach, and administration of prior

1 initiatives currently being implemented. The Plan seeks the Commission's approval of a  
2 total base RES budget of \$89.9 million for 2019, and the total request for the 2019-2023  
3 Plan to be \$431.4 million, not including any funding offsets. After applying funding  
4 offsets, the total requested RES Surcharge Collection for 2019 is \$76.6 million.

5 The Plan includes the following:

- 6 • Summary information regarding the amount of renewable generation on  
7 APS's system and its progress towards compliance with the RES;
- 8 • A request for waiver under A.A.C. R14-2-1816 of the residential distributed  
9 energy requirement provided in A.A.C. R14-2-1805 to recognize the  
10 substantial amount of non-incented residential distributed energy on APS's  
11 system;
- 12 • A request to continue the Green Choice Rates with minor revisions to match  
13 the program better to customers' needs and to increase participation;
- 14 • Estimated budgets for 2019 through 2023; and
- 15 • Exploration of biomass renewable generation to assist with forest health.

16 This Application briefly touches upon each of the foregoing.

## 17 **I. PLAN HIGHLIGHTS**

### 18 **A. APS Requests a Waiver of the Residential Distributed Generation** 19 **Requirement While Continuing to Exceed Overall Compliance with** 20 **the RES.**

21 APS's portfolio of Renewable Generation (RG) resources contains significant RG  
22 resources that serve the energy demands of all APS customers. The Renewable Energy  
23 Standard requires APS to obtain 9% percent of its retail sales with renewable energy  
24 resources by the end of 2019. APS anticipates that, given the amount of renewable  
25 energy already in its diverse resource portfolio and the current volume of  
26 interconnection applications for distributed generation, that approximately 14.7 percent  
27 of the Company's retail sales will be met by renewable resources by the end of 2019.

1 APS's targeted RG goal for 2019 is 1,954 GWh. APS is far ahead of compliance  
2 with the overall cumulative RES goal and is compliant with the non-residential  
3 distributed generation requirements through 2021. APS will not have enough Renewable  
4 Energy Credits to meet the residential distributed generation targets (DG carve out)  
5 contained in the RES for 2019.

6 APS therefore requests a full and permanent waiver of the DG carve out  
7 contained in A.A.C. R14-2-1805 for 2019. A.A.C. R14-2-1816 provides that "[t]he  
8 Commission may waive compliance with any provision of this Article for good cause."  
9 Good cause exists to waive the residential distributed energy requirements for 2019.  
10 First, a permanent waiver is the least costly way for APS to establish compliance with  
11 the residential distributed generation targets. Second, as documented in APS's most  
12 recent Renewable Energy Standard Compliance Report filed in March 2018, there  
13 continues to be a substantial and continuous amount of non-incented rooftop solar being  
14 installed in APS's service territory and the intent of the DG carve out is already being  
15 satisfied.

#### 16 **B. Expansion of RG through Biomass Request for Proposal**

17 The Commission has asked regulated utilities to develop solutions that would  
18 promote forest health, clean air, and resource diversity. As Commissioner Tobin has  
19 stated, the incorporation of biomass resources into future plans will benefit future  
20 Arizonans and encourage economic development for forest products in rural  
21 communities. In response, APS has issued a RFP for projects that utilize biomass feed  
22 stocks in northern Arizona. APS will analyze and report on responses to its RFP in late  
23 2018.

#### 24 **C. Modification of the Green Choice Program in Response to Customer 25 Demand**

26 The 2019 RES Plan seeks a modification of the Green Choice Program to  
27 increase customer participation by meeting customer demand for specific resource types.  
28

1 APS will not increase the current Green Choice Program price, providing stability for  
2 existing customers on the program while matching resources to customer preferences.

3 **D. Increase Educational Outreach**

4 Decision No. 71459 (Jan. 29, 2010) created the Arizona Goes Solar website.  
5 APS believes that analyzing and updating the website would be valuable and appropriate  
6 at this juncture, so that customers have accurate and up-to-date information on solar and  
7 other evolving distributed resource industries, as well as current market conditions. APS  
8 is therefore requesting \$125,000 in 2019 for this purpose, and to continue funding RES  
9 education and outreach. The current website has become outdated and requires  
10 technological updates to make the platform current and more user-friendly. The website  
11 serves as a repository of relevant Arizona information for distributed generation  
12 resources for stakeholders and customers.

13 **E. APS Solar Communities**

14 Under Decision No. 76295 (Aug. 18, 2017), APS continues to expand rooftop  
15 solar installations through Company-owned solar distributed generation. APS will invest  
16 between \$10 and \$15 million annually, allocating at least 65% of annual program  
17 expenditures to residential installations for low and moderate income families. This  
18 Application requests \$3.4 million in 2019 for the revenue requirements associated with  
19 APS Solar Communities Program. The Program offers clean energy to low and  
20 moderate income customers in single-family and multi-family housing, as well as non-  
21 profit commercial customers that serve limited-income populations, Title I Schools, and  
22 rural government customers.

23 **II. APS'S PLAN PROPOSES A 2019 BUDGET AND RES ADJUSTOR TO**  
24 **SUPPORT EXISTING APPROVED PROJECTS AND COMMITMENTS.**

25 As discussed previously, APS requires a total 2019 RES budget of approximately  
26 \$89.9 million, a decrease from the 2018 budget even without any funding offsets. APS  
27  
28



1 intends to apply several credits and revenue streams to lower total RES adjustor  
2 collections needed in 2019 and 2020.

3 In addition, by the end of 2018, APS expects to have unallocated funds in the  
4 amount of \$12.8 million. APS proposes to use approximately \$7.0 million of these  
5 collected but unallocated funds in the 2019 budget, and apply the remaining \$5.8 million  
6 as an offset to the 2020 budget.

7 **III. CONCLUSION**

8 APS's 2019 RES Plan provides continued support and funding to enable APS to  
9 meet its obligations under the RES while moderating incremental rate impact. The  
10 Company respectfully requests that the Commission approve APS's 2019 RES Plan and  
11 budget as proposed.

12  
13 RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of June 2018.

14  
15 By: 

16 Melissa M. Krueger

17 Theresa Dwyer

18 Attorneys for Arizona Public Service Company

19 ORIGINAL and thirteen (13) copies  
20 of the foregoing filed this 29<sup>th</sup> day of  
21 June 2018, with:

22 Docket Control  
23 ARIZONA CORPORATION COMMISSION  
24 1200 West Washington Street  
25 Phoenix, Arizona 85007

26 JH



# **Renewable Energy Standard Implementation Plan 2019-2023**

June 29, 2018

Contents

- i. Executive Summary.....ii
- Introduction..... 1
  - A. 2019-2023 RES Requirement..... 1
- I. Renewable Generation ..... 1
  - A. Biomass ..... 2
- II. Distributed Generation ..... 2
  - A. APS Interconnection and Program Management ..... 2
  - B. Investment in AZ SUN II (APS Solar Communities)..... 2
  - C. Managing long-term PBI contracts and payments ..... 3
  - D. Residential DG ..... 4
- III. Program Administration ..... 4
  - A. Distributed Energy Administration Plan (DEAP)..... 4
  - B. Educational outreach ..... 4
  - C. Green Choice program ..... 5
- IV. Budget..... 5
  - A. Reallocation of program funds..... 6

## i. Executive Summary

Arizona Public Service Company (APS or Company) is required by the state's Renewable Energy Standard (RES) to achieve 9.0 percent of retail sales with renewable resources by year-end 2019, increasing annually to 13.0 percent in 2023. In the following 2019-2023 RES Implementation Plan (Plan), APS requests funding approval for existing program commitments and deployment of previously authorized programs. The Company expects to achieve compliance with the 2019 RES requirements provided all of the resources discussed herein are authorized and continued as previously-approved in prior Arizona Corporation Commission (Commission) decisions, except for the residential distributed generation (DG) target. APS is requesting a permanent waiver of the residential DG target due to the continued steady levels of non-incented rooftop solar being installed in its service territory.

**Renewable Generation.** Renewable Generation (RG) resources within the APS portfolio are larger-scale renewable energy resources that serve the energy demand of all APS customers. APS's targeted RG resources for 2019 is 2,478 GWh. Based upon Commission direction, APS issued a Request for Proposal (RFP) for projects that utilize biomass feed stocks in northern Arizona.

**Distributed Generation.** Consistent with Commission requirements on incentive funding step downs and APS performance with the DG requirements, APS ceased offering direct cash incentives for residential and non-residential solar DG grid-tied resources at the end of 2013. As of May 1, 2018, 24,736 residential customers and 1,022 non-residential customers received incentives to interconnect DG systems, with associated capacity of 145 MW-AC and 209 MW-AC, respectively. Based upon these currently-installed resources, as well as commitments from previously-approved program budgets, APS projects it will be in compliance with non-residential energy targets until 2021 and residential DG energy targets through December 2017. APS is not requesting monies for new solar DG grid-tied resource incentives in the Plan.

The above DG forecast does not include RECs associated with non-incented installations. Through May 1, 2018, 56,731 residential DG grid-tied systems (391 MW-AC) and 437 non-residential DG systems (38 MW-AC) have been installed across the APS service territory and interconnected to APS's grid without receiving direct cash incentives. Given the continued robust levels of residential DG in APS's service territory, the Company requests a permanent waiver of the residential compliance requirement in 2019. APS continues to see historic rates of solar DG interconnections without an incentive, but the DG compliance requirement only includes RECs associated with installations that received an incentive.

**Budget.** The requested budget for APS's 2019 Plan consists of funding for previously-authorized programs, including legacy Production-Based Incentive (PBI) subsidy payments, purchased power (PPA) and revenue requirement costs, educational outreach, and administration of prior initiatives currently being implemented.

APS expects the total base budget for PBI and other DG legacy costs, PPA projects in 2019 to be \$89.9 million, and the total request for the 2019-2023 Plan to be \$431.4 million, not including any funding offsets.



## Introduction

In the 2019-2023 RES Implementation Plan, APS provides an update on authorized renewable energy programs, generation projects, and the Green Choice Program, as well as any related budget requirements.

### A. 2019-2023 RES Requirement

The RES was established in August 2007, and requires APS to file a Plan each year for review and approval by the Commission.<sup>1</sup> The Plan describes the Company's strategy to meet the requirements of the RES for the next five calendar years, identifying the eligible technologies, the expected schedule for the resource incorporation on a year-by-year basis, and both the megawatts (MW) and megawatt hours (MWh) expected to be added to the APS portfolio by the incorporation of those resources.

APS has prepared this Plan for the five year period 2019-2023 in compliance with the RES Rules. The RES requires that affected utilities satisfy an annual renewable energy requirement by providing a percentage of their electric retail sales from renewable energy resources. The required percentage for the current implementation period begins at 9 percent in 2019 and increases to 13 percent in 2023. The RES requires that the minimum percentage be increased to 15 percent of the utility's total retail sales by the year 2025.

Per Decision No. 74882 (December 31, 2014), compliance with the DG rules may be met absent direct cash incentives. The Commission requires APS to include information in its Plan on the Company's compliance standing both with and without being able to record renewable energy installed independently by a customer without receiving a direct cash incentive (described herein as non-incented installations). Exhibits 2B and 2C identify distributed generation production under both scenarios requested by the Commission. Other energy exhibits in this Plan show existing and projected non-incented installations.

## I. Renewable Generation

RG resources within the APS portfolio are larger-scale renewable energy resources that serve the energy demand of all APS customers. These resources are part of the Company's energy portfolio as provided to the Commission in the Company's 2017 Integrated Resource Plan—as such, they are applied to APS's overall RES requirements.<sup>2</sup> APS is required to include estimated pricing information related to RG projects. Consistent with prior Plans,

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<sup>1</sup> A.A.C. R14-2-1801 et. seq.

<sup>2</sup> Docket No. E-00000V-15-0094, filed in compliance with A.A.C. Code R14-2-703.

APS has included a redacted version of the information in Exhibits 3B and 3D and is providing unredacted pricing information directly to Commission Staff.

### **A. Biomass**

At the March 13, 2017 Staff Open Meeting, the Commission directed all "Affected Utilities" to work with Staff to develop a plan for incorporating biomass into the REST plan. APS issued a Request for Proposal (RFP) on May 7, 2018 for projects that utilize biomass feed stocks from high-risk forest lands in northern Arizona to generate capacity and energy, pipeline quality biogas, or other suitable products. Through this RFP, APS seeks the best resource, or combination of resources, that will help clear woody material from northern Arizona forests and potentially lead to healthier forests and improvement in the lives and safety of Arizona residents. Once the proposals have been analyzed, APS will report back to the Commission.

## **II. Distributed Generation**

### **A. APS Interconnection and Program Management**

Consistent with Commission direction on incentive-funding step downs and APS performance with the DG requirements, APS ceased offering direct-cash incentives for residential and non-residential solar DG grid-tied resources at the end of 2013. The Company continues to experience a steady application volume for non-incented residential DG grid-tied generating facilities during 2018.

With the consistent volume of interconnection requests comes steady activity in the areas of application review, meter installation, distributed energy resource (DER) planning, legacy program management and ongoing customer support. Our RES budget request of \$12.0 million for distributed energy program administration and implementation reflects both a robust environment for solar and other DER technology adoption and a continued market reality.

In light of the above, our projection is that the pace of residential application volume will normalize for the remainder of 2018 and in 2019.

APS seeks \$500,000 in information technology funds for continued operating and maintenance expenses and subscription services of its interconnection software platform which the Company received approval for in the 2018 RES budget.

### **B. Investment in AZ SUN II (APS Solar Communities)**

Per Decision No. 76295 (August 18, 2017), the Commission approved APS to expand rooftop solar installations for limited and moderate income Arizonans. APS owns all the generation under the program and all the renewable energy credits and other program attributes require APS to invest between \$10 and \$15 million annually over three years



(2018, 2019, 2020), allocating at least 65% of annual program expenditures to residential installations. APS seeks \$3.4 million in 2019 for the APS Solar Communities Program. The program is available to low-and moderate-income customers in single-family and multi-family housing, as well as non-profit commercial customers that serve limited income populations, Title I Schools, and rural government customers.

The APS Solar Communities program will offer a new clean energy option to customers across the state who qualify as low-and moderate-income. APS will collaborate with Arizona-based solar installers to equip qualifying customers with solar systems. Participants will receive a monthly credit of \$30 on their energy bill for 20 years. The solar systems will be installed primarily on single-family homes with west and southwest facing roofs, which offer the greatest potential to generate energy during the late afternoon and early evening hours when customers use the most electricity.

### **C. Managing long-term PBI contracts and payments**

From 2009 to 2013, APS was authorized to implement annual production-based incentive (PBI) programs for non-residential customers who deploy DG grid-tied resources at commercial sites. PBIs are paid on a cents/kWh basis for actual solar generation. These legacy PBI contracts represent long-term, ongoing RES budget commitments that are gradually paid to customers or third-party providers over a period of up to 20 years.

Exhibit 3C provides detail on this category of subsidy expenditures. APS has entered into long-term PBI contracts totaling \$591.1 million over the life of the RES. By the end of 2019, the Company will have paid approximately \$225.1 million cumulatively against the total. APS estimates that at the end of 2019, \$331.5 million in lifetime PBI payments will remain to be collected and paid for through future RES budgets, with \$34.5 million projected to be paid during 2019.

Exhibit 3C also includes the amortization of PBI commitments through ongoing incentive payments as well as the reduction in remaining PBI authorizations no longer needed to complete prior programs.

APS renewable energy program staff manage all of the associated PBI credit purchase contracts, assist customers with system modification and billing queries, support quarterly PBI payment processing and facilitate CPA assignments and contact or payee information changes. Ongoing PBI contract management is included in our RES budget request of \$12.0 million for DG program administration and implementation.

## **D. Residential DG**

APS requests a permanent waiver of the residential DG carve-out requirement in 2019 due to consistent levels of residential DG being installed in its service territory without an incentive. Nonetheless, the Company expects to be more than 70% compliant with the 2019 incremental residential goal. APS projects it will be in compliance with incented non-residential energy targets until 2021 and incented residential DG energy targets through December 2017. Through May 1, 2018, 56,731 residential DG grid-tied systems (391 MW-AC) and 437 non-residential DG systems (38 MW-AC) have been installed and interconnected without receiving direct-cash incentives. APS continues to see historic rates of solar DG interconnections without an incentive; however, the DG compliance forecast only includes RECs associated with installations that received an incentive. By the end of 2018, cumulative DG capacity (all technologies) on the APS system will be at least 867 MW-AC, of which 428 MW-AC is non-incented DG interconnections.

## **III. Program Administration**

### **A. Distributed Energy Administration Plan (DEAP)**

The DEAP is a master program administration guideline that APS posts on its public website at [aps.com/renewables](http://aps.com/renewables). APS has made no new changes to the DEAP that was approved in Decision No. 74883 on December 31, 2014.

### **B. Educational outreach**

Decision 71459, paragraph 54 (January 29, 2010), created the Arizona Goes Solar website to help promote the availability of REST funds for residential solar projects, create additional awareness of incentives for residential and commercial solar projects, and provide a publicly accessible source for accurate solar market data. The current website has become outdated and requires technological updates to make the platform current and more user-friendly. The website serves as a repository of relevant Arizona information for distributed generation resources for stakeholders and customers. APS sees value in continuing to maintain the Arizona Goes Solar website, as the information provides ratepayers with accurate and up-to-date information on the solar and evolving DER industries.

APS will evaluate, in collaboration with other Arizona utilities, the current format and content of the Arizona Goes Solar website. We will also evaluate the site's effectiveness and update the content to better reflect current market conditions. APS will continue to act as the managing utility for this effort and ensure buy in from other participating utilities. APS requests \$125,000 in 2019 to continue funding RES-attributable education and outreach and to update the current Arizona Goes Solar website.



### C. Green Choice Program

APS proposes to modify its Green Choice Program to increase customer participation by better meeting customer's preferences for resource type. In order to meet their own corporate, local or industry-based policy goals, some customers have expressed an interest in certain types of renewable generation. For example, certain Corporate net zero carbon goals and other sustainability initiatives often prefer non-carbon emitting renewable resource technologies such as wind and solar.

The current resources in the Green Choice Program are wind facilities and Arizona biomass and biogas facilities. APS proposes to remove the biomass and biogas facilities from the resource mix of the Program and replace them with resources from the list below. APS will keep the green premium price at \$.0102/kWh, which provides price stability for existing customers on the program while at the same time better matching the resources to customer preferences.

Name	Technology Type
Ajo	Solar
Aragonne Wind, LLC	Wind
Badger 1 Solar (Desert Sky)	Solar
Bagdad	Solar
Gillespie 1 Solar	Solar
High Lonesome Mesa	Wind
Perrin Ranch	Wind
Solana	Concentrated Solar
SUNE AZ1, LLC (Prescott)	Solar
SUNE AZ2, LLC (Saddle Mountain)	Solar

### IV. Budget

The budget for APS's 2019 Plan consists of funding for previously authorized programs including PBI legacy payments, purchased power and revenue requirement costs, and prior initiatives currently being implemented.

The total base RES budget in 2019 is \$89.9 million and the five year total for the 2019-2023 Plan is projected to be \$431.4 million, not including any funding offsets.

APS intends to apply several credits and revenue streams to lower total RES adjustor collections needed in 2019 and 2020. Offsets to the 2019 budget (see Exhibit 3A) include \$6.0 million from the System Benefit Charge included in base rates, rate program revenues, and general reallocation offsets due to variances in power purchase costs, programs completed under budget, and cancelled projects. After applying these funding offsets, the total requested RES Surcharge Collection for 2019 is \$76.6 million.<sup>3</sup>

### **A. Reallocation of program funds**

In prior RES Plans, APS has applied a portion of the Company's unallocated program funds as a direct offset to a given year's budget to reduce the need for additional RES collections. By the end of 2018, APS expects to have unallocated funds in the amount of \$12.8 million. APS proposes to use \$7.0 million of these collected but unallocated funds in the 2019 budget and apply the remaining \$5.8 million as an offset to the 2020 budget.

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<sup>3</sup> See Exhibit 3A: 2019 RES IP Summary Budget.

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Exhibit 1A: APS 2019 - 2023 RES Program Summary

Line No.	APS RES Targets (MWh)	2019	2020	2021	2022	2023	Line No.
1	APS Estimated Retail Sales	31,020,737	31,622,462	32,154,073	32,727,961	33,239,063	1
2	APS RES Target - % of Retail Sales	9.0%	10.0%	11.0%	12.0%	13.0%	2
3	APS Total RES Requirement	2,791,866	3,162,246	3,536,948	3,927,355	4,321,078	3
4	RES Generation Target	1,954,306	2,213,572	2,475,864	2,749,149	3,024,755	4
5	Distributed Energy % of RES Requirement	30%	30%	30%	30%	30%	5
6	Distributed Energy Requirement	837,560	948,674	1,061,084	1,178,207	1,296,323	6
7	Residential Distributed Energy (50%)	418,780	474,337	530,543	589,103	648,162	7
8	Non-Residential Distributed Energy (40%)	335,024	379,470	424,434	471,283	518,529	8
9	Wholesale Distributed Energy (10%) <sup>1</sup>	83,756	94,867	106,108	117,821	129,632	9
10	Renewable Generation (MWh)	2019	2020	2021	2022	2023	10
11	RES Generation Target	1,954,306	2,213,572	2,475,864	2,749,149	3,024,755	11
12	Existing/Planned Generation Owned/Contracted	2,478,044	2,480,108	2,471,053	2,467,584	2,405,250	12
13	RG Owned Contracted - RG Target	523,738	266,534	(4,811)	(281,564)	(619,504)	13
14	Customer Sited Distributed Energy (MWh)	2019	2020	2021	2022	2023	14
15	RES Distributed Energy Requirement	837,560	948,674	1,061,084	1,178,207	1,296,323	15
16	Estimated Existing Distributed Energy <sup>2</sup>	806,180	816,926	827,804	839,154	850,605	16
17	Expected DE - DE Requirement	(31,379)	(131,748)	(233,281)	(339,052)	(445,719)	17
18	Non-Incented DE Installations	1,246,936	1,532,102	1,817,268	2,102,434	2,387,599	18
19	Total RES Energy (MWh)	2019	2020	2021	2022	2023	19
20	Total RES Requirement	2,791,866	3,162,246	3,536,948	3,927,355	4,321,078	20
21	Total Expected RES Production	3,284,225	3,297,034	3,298,856	3,306,739	3,255,855	21
22	(line 18 + line 25)						22
23	Expected RES Production - RES Requirement	492,358	134,788	(238,092)	(620,617)	(1,065,223)	23
24	(line 34 - line 32)						24
25	Non-Incented DE Installations	1,246,936	1,532,102	1,817,268	2,102,434	2,387,599	25
26	APS RES Budget Summary (\$ M's)	2019	2020	2021	2022	2023	26
27	Total Renewable Generation \$	40.0	40.7	41.3	42.0	42.0	27
28	Total Distributed Energy	49.9	50.1	47.0	45.8	45.2	28
29	Base RES Program Budget	89.9	90.8	88.3	87.7	87.2	29
30	Base Rates	(6.0)	(6.0)	(6.0)	(6.0)	(6.0)	30
31	Production Tax Credits	-	-	-	-	-	31
32	Estimated Green Choice Revenue Credit	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	32
33	Estimated Years Rollover Funds and Other Credits	(7.0)	(5.8)	-	-	-	33
34	RES Adjustor Collection <sup>3</sup>	76.6	78.7	82.0	81.4	68.4	34

Notes:

- 1 Per AAC R14-2-1805.
- 2 Does not include non-incentive installations from residential and non-residential energy resources, which do not count toward compliance. Non-incentive installations are defined as installations made by customers without taking a direct cash incentive and without transferring REC ownership to APS.
- 3 See Exhibit 1B for RES Adjustor Schedule.



## Exhibit 1B: RES Adjustor Schedule

	Residential	XS Commercial (<20 kW)	Small Commercial (20-100kW)	Medium Commercial (100-400 kW)	Large Commercial (400-3,000 kW)	Industrial (>3,000 kW)
<b>2019 Charge/Cap</b> (Non-DG Customers)	\$2.90	\$107.88	\$0.007261/kWh			
<b>2019 Average</b> (DG Customers)	\$2.53	Cap: \$107.88 Floor: \$6.06	Cap: \$107.88 Floor: \$30.31	\$146.53	\$287.03	\$2,359.83

# Exhibit 2A: Targeted Resources

Line No.	Targeted Generation Resources: <sup>2</sup>	Ownership <sup>1</sup>	Actual / Expected Completion	2019-2023 Total MWac	2019	2020	2021	2022	2023	Total	Line No.
1	<b>Solar:</b>										1
2	Alo	3rd Party PPA	Online	4.5	9,490	9,470	9,395	9,348	9,302	47,005	2
3	Prescott	3rd Party PPA	Online	10	25,273	25,088	24,770	24,523	24,277	123,931	3
4	Badger	3rd Party PPA	Online	15	38,773	38,545	38,209	37,926	37,644	191,097	4
5	Gillespie	3rd Party PPA	Online	15	41,587	41,500	41,172	40,966	40,761	205,987	5
6	Saddle Mountain	3rd Party PPA	Online	15	33,420	33,245	32,887	32,624	32,363	164,539	6
7	Solana CSP	3rd Party PPA	Online	250	844,838	845,387	844,838	844,838	844,838	4,224,939	7
8	Paloma	APS/AZ Sun	Online	17	39,756	39,606	39,201	38,927	38,654	196,143	8
9	Hyder I	APS/AZ Sun	Online	16	39,464	39,383	39,071	38,875	38,681	195,474	9
10	Cotton Center	APS/AZ Sun	Online	17	45,032	45,080	44,852	44,762	44,673	224,398	10
11	Chino Valley	APS/AZ Sun	Online	19	46,795	46,561	46,328	46,097	45,866	231,647	11
12	Foothills I/II	APS/AZ Sun	Online	35	109,267	109,064	108,177	107,637	107,098	541,243	12
13	Hyder II	APS/AZ Sun	Online	14	44,804	44,713	44,357	44,135	43,914	221,923	13
14	Gila Bend	APS/AZ Sun	Online	32	106,274	106,076	105,214	104,688	104,164	526,415	14
15	Luke AFB	APS/AZ Sun	Online	10	34,258	34,187	33,916	33,747	33,578	169,686	15
16	Desert Star	APS/AZ Sun	Online	10	34,931	34,856	34,582	34,409	34,237	173,016	16
17	Small Solar Sites	APS	Online	4.6	9,953	9,953	9,953	9,953	9,953	49,766	17
18											18
19	<b>Wind:</b>										19
20	Araquonne Mesa	3rd Party PPA	Online	90	260,580	261,553	260,580	260,580	260,580	1,303,873	20
21	High Lonesome	3rd Party PPA	Online	100	277,999	278,836	277,999	277,999	277,999	1,390,832	21
22	Perrin Ranch	3rd Party PPA	Online	99	226,416	227,074	226,416	226,416	226,416	1,132,739	22
23											23
24	<b>Geothermal:</b>										24
25	Salton Sea/CE Turbo	3rd Party PPA	Online	10	65,817	66,018	65,817	65,817	65,817	329,266	25
26											26
27	<b>Biomass/BioGas:</b>										27
28	Snowflake	3rd Party PPA	Online	14	103,219	103,505	103,219	103,219	103,219	457,498	28
29	Sexton (Glendale Landfill)	3rd Party PPA	Online	2.9	17,538	17,586	17,538	17,538	17,538	87,738	29
30	Northwest Regional Landfill Gas	3rd Party PPA	Online	3.2	22,560	22,622	22,560	22,560	22,560	112,862	30
31											31
32											32
33	<b>Total Targeted Generation</b>			<b>803</b>	<b>2,478,044</b>	<b>2,480,108</b>	<b>2,471,053</b>	<b>2,467,584</b>	<b>2,405,250</b>	<b>12,302,039</b>	33
34											34
35	<b>Targeted Distributed Energy Resources: <sup>3</sup></b>										35
36	<b>Residential:</b>										36
37	UFT Installations	Customer-Sited DE	Various	Various	281,419	281,419	281,419	281,419	281,419	1,407,094	37
38	Non-Incentive Installations <sup>4</sup>	Customer-Sited DE	Various	Various	1,116,374	1,359,127	1,601,881	1,844,636	2,087,391	8,009,408	38
39	Flagstaff Community Power Project	APS	Online	0.4	686	686	686	686	686	3,429	39
40	APS Solar Partner Program	APS	Online	10.0	16,277	16,176	16,076	15,977	15,878	80,383	40
41											41
42	<b>Subtotal Residential</b>				<b>1,414,755</b>	<b>1,657,408</b>	<b>1,900,062</b>	<b>2,142,717</b>	<b>2,385,373</b>	<b>9,500,314</b>	42
43	<b>Non-Residential:</b>										43
44	UFT Installations	Customer-Sited DE	Various	Various	34,120	34,120	34,120	34,120	34,120	170,599	44
45	PBI Installations	Customer-Sited DE	Various	Various	214,741	214,741	214,741	214,741	214,741	1,073,706	45
46	Non-Incentive Installations <sup>4</sup>	Customer-Sited DE	Various	Various	146,839	189,151	231,463	273,775	316,086	1,157,315	46
47	DE RFP	Customer-Sited DE	Online	35	75,597	75,333	75,069	74,806	74,544	375,350	47
48	Schools & Government (3rd-Party Owned)	Customer-Sited DE	Various	45	76,509	76,509	76,509	76,509	76,509	382,545	48
49	Schools & Government (Utility-Owned)	Customer-Sited DE	Various	13	21,313	21,313	21,313	21,313	21,313	106,565	49
50	Flagstaff Community Power Project	APS	Online	0.9	1,763	1,763	1,763	1,763	1,763	8,815	50
51	Wholesale DE	3rd Party PPA	Online	NA	83,756	94,867	106,108	117,821	129,632	532,184	51
52											52
53											53
54											54
55	<b>Subtotal Non-Residential</b>				<b>654,639</b>	<b>707,797</b>	<b>761,086</b>	<b>814,848</b>	<b>868,709</b>	<b>3,807,078</b>	55
56	<b>Total Targeted DE</b>				<b>2,069,394</b>	<b>2,365,205</b>	<b>2,661,148</b>	<b>2,957,565</b>	<b>3,254,082</b>	<b>13,307,392</b>	56
57											57
58											58

**Notes:**

<sup>1</sup> All utility-owned Third Party projects are developed through a competitive RFP process, and all DE systems are built independently by Third Party developers and installers.

<sup>2</sup> Reported as incremental production (non-annualized).

<sup>3</sup> Reported as annualized production.

<sup>4</sup> Non-incentive installations are defined as installations made by customers without taking a direct cash incentive and without transferring REC ownership to APS.

## Exhibit 2B: Distributed Energy Compliance Table (MWh) <sup>1</sup>

This exhibit represents forecasted 2019-2023 RES DE compliance totals compared to what APS's compliance position would be if the Company were allowed to count independent, customer installations towards its RES compliance reporting. The non-incented installations shown below represents forecasted DE customer growth absent any new incentive program funding for 2019-2023.

Line No	2019	2020	2021	2022	2023
<b>Residential DE (MWh)</b>					
1					
2					
3		298,381	298,181	298,081	297,982
4					
5		1,100,097	1,342,951	1,585,805	1,828,659
6		1,398,478	1,641,232	1,883,986	2,126,740
7					
8					
9		507,799	518,646	529,623	541,073
10		146,839	189,151	231,463	273,775
11		654,639	707,797	761,086	814,848
12					
13					
14					
15		806,180	816,926	827,804	839,154
16		1,246,936	1,532,102	1,817,268	2,102,434
17		2,053,117	2,349,028	2,645,071	2,941,588
18					
19					
20					
21					
22					
<b>Non-Residential DE (MWh)</b>					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
<b>Total DE (MWh)</b>					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
<b>RES DE Requirements (MWh)</b>					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					

### Notes:

<sup>1</sup> If APS were allowed to count non-incented installations towards its RES DE compliance requirements, APS anticipates total installations projected to be installed through 2019 would:

- 1) advance residential compliance from 2017 to 2025,
- 2) advance non-residential compliance from 2021 to 2023, and
- 3) advance overall DE compliance from 2017 to 2023.

If APS were allowed to count non-incented installations towards its RES DE compliance requirements, APS anticipates total installations projected to be installed through 2023 would:

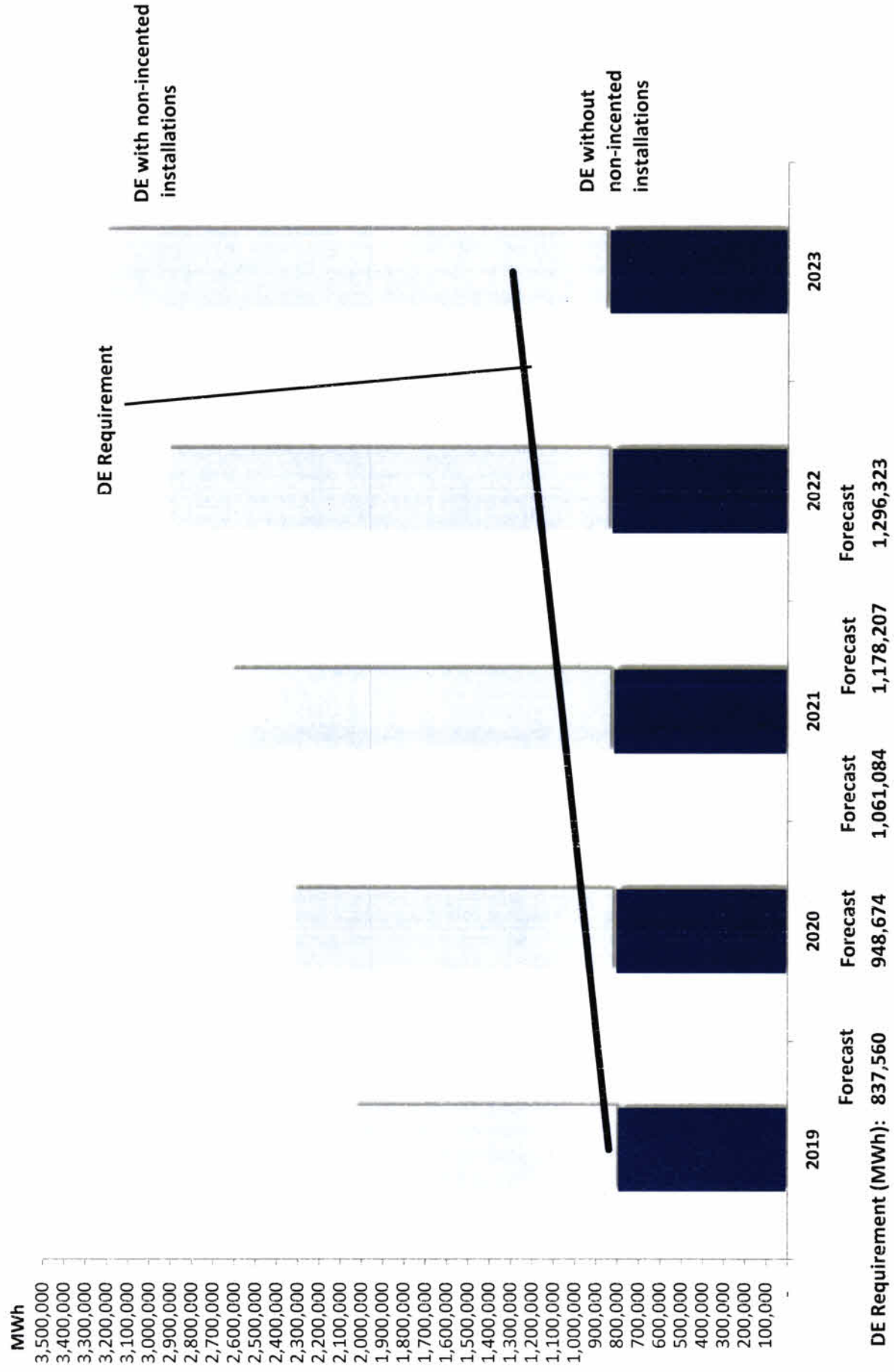
- 1) advance residential compliance from 2017 to 2025,
- 2) advance non-residential compliance from 2021 to 2025, and
- 3) advance overall DE compliance from 2017 to 2025.

<sup>2</sup> Includes UFI DE and Flagstaff Community Power Project, APS Solar Partner Program.

<sup>3</sup> Non-incented installations defined as installs made by customers without taking a direct cash incentive and without transferring REC ownership to APS.

<sup>4</sup> Includes UFI, PBI, and Wholesale DE programs

# Exhibit 2C: Distributed Energy Compliance Graph





# Exhibit 3A: 2019 RES IP Summary Budget

Line No.	2019	2020	2021	2022	2023	Total
<b>Renewable Generation</b>						
<b>Renewable Generation Contracts and Operation and Maintenance</b>						
Purchases and Generation	\$ 38.5	\$ 39.2	\$ 39.8	\$ 40.5	\$ 28.1	\$ 186.1
Administration	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 3.2
Implementation	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 4.2
<b>Total Renewable Generation</b>	<b>\$ 40.0</b>	<b>\$ 40.7</b>	<b>\$ 41.3</b>	<b>\$ 42.0</b>	<b>\$ 29.6</b>	<b>\$ 193.5</b>
<b>Customer Sited Distributed Energy</b>						
<b>Existing Contracts and Commitments</b>						
DE RFP	\$ 4.7	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.8	\$ 23.3
Production-based Incentives	\$ 22.3	\$ 21.6	\$ 19.2	\$ 18.6	\$ 18.4	\$ 100.1
Schools and Government Program Incentives <sup>1</sup>	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5	\$ 37.4
APS Solar Communities (AZ Sun II) <sup>2</sup>	\$ 3.4	\$ 5.0	\$ 4.5	\$ 4.5	\$ 4.4	\$ 21.8
<b>Total Existing Contracts and Commitments</b>	<b>\$ 37.9</b>	<b>\$ 38.7</b>	<b>\$ 35.8</b>	<b>\$ 35.2</b>	<b>\$ 35.1</b>	<b>\$ 182.6</b>
<b>Non-Energy Distributed Energy Costs</b>						
Administration	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 3.2
Implementation <sup>3</sup>	\$ 10.7	\$ 10.2	\$ 9.9	\$ 9.4	\$ 8.8	\$ 48.9
Information Technology	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 2.5
Educational Outreach: Non-Incentive Costs	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.6
<b>Total Non-Incentive DE Costs</b>	<b>\$ 12.0</b>	<b>\$ 11.4</b>	<b>\$ 11.2</b>	<b>\$ 10.6</b>	<b>\$ 10.1</b>	<b>\$ 55.3</b>
<b>Total Customer Sited DE (line 15 + line 23)</b>	<b>\$ 49.9</b>	<b>\$ 50.1</b>	<b>\$ 47.0</b>	<b>\$ 45.8</b>	<b>\$ 45.2</b>	<b>\$ 237.9</b>
<b>Total RES Budget <sup>2</sup> (line 6 + line 25)</b>	<b>\$ 89.9</b>	<b>\$ 90.8</b>	<b>\$ 88.3</b>	<b>\$ 87.7</b>	<b>\$ 74.7</b>	<b>\$ 431.4</b>
<b>Offsets to Base Budget</b>						
Base Rates	\$ (6.0)	\$ (6.0)	\$ (6.0)	\$ (6.0)	\$ (6.0)	\$ (30.0)
Production Tax Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated Green Choice Revenue Credit	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (1.5)
Previous Years Rollover Funds and Other Credits	\$ (7.0)	\$ (5.8)	\$ -	\$ -	\$ -	\$ (12.8)
<b>RES Surcharge Collection</b>	<b>\$ 76.6</b>	<b>\$ 78.7</b>	<b>\$ 82.0</b>	<b>\$ 81.4</b>	<b>\$ 68.4</b>	<b>\$ 387.1</b>

## Notes:

<sup>1</sup> Third-party owned portion of the current 2011, 2012, and expanded Schools and Government Programs.

<sup>2</sup> Reflects total program costs as approved in Decision No. 76295.

<sup>3</sup> Includes revenue requirements for the production metering as required by Decision No. 72737.

# Exhibit 3B: Targeted RES Resource Costs (in \$Ms)

COMPETITIVELY CONFIDENTIAL<sup>1</sup>  
Projected RES Cost per Year<sup>1</sup>

Line No.	Targeted Generation Resources: <sup>1</sup>	Ownership	2019	2020	2021	2022	2023	Total	Line No.
1	<b>Solar:</b>								1
2	Ajo	3rd Party PPA						\$ 2.0	2
3	Prescott	3rd Party PPA						4.1	3
4	Badger	3rd Party PPA						0.8	4
5	Gillespie	3rd Party PPA						1.7	5
6	Saddle Mountain	3rd Party PPA						1.1	6
7	Solana CSP	3rd Party PPA						135.0	7
8									8
9	<b>Wind:</b>								9
10	Aragonne Mesa	3rd Party PPA						14.9	10
11	High Lonesome	3rd Party PPA						-	11
12	Perrin Ranch	3rd Party PPA						6.5	12
13									13
14	<b>Geothermal:</b>								14
15	Salton Sea/CE Turbo	3rd Party PPA						2.9	15
16									16
17	<b>Biomass/Biogas:</b>								17
18	Snowflake <sup>2</sup>	3rd Party PPA						17.1	18
19	Sexton (Glendale Landfill)	3rd Party PPA						-	19
20	Northwest Regional Landfill Gas	3rd Party PPA						0.0	20
21									21
22	<b>Subtotal Targeted Generation</b>		<b>\$ 38.5</b>	<b>\$ 39.2</b>	<b>\$ 39.8</b>	<b>\$ 40.5</b>	<b>\$ 28.1</b>	<b>\$ 186.1</b>	22
23	<b>Targeted and Expected Distributed Energy Resources:</b>								23
24									24
25									25
26	<b>AZ Sun II Program:</b>								26
27	APS Solar Communities <sup>3</sup>	APS	\$ 3.4	\$ 5.0	\$ 4.5	\$ 4.5	\$ 4.4	\$ 21.8	27
28									28
29	<b>Non-Residential:</b>								29
30	PBI Installations	Customer-Sited DE	\$ 22.3	\$ 21.6	\$ 19.2	\$ 18.6	\$ 18.4	\$ 100.1	30
31	DE RFP	Customer-Sited DE	4.7	4.6	4.6	4.6	4.8	23.3	31
32	Schools & Government (3rd-Party Owned)	Customer-Sited DE	7.5	7.5	7.5	7.5	7.5	37.4	32
33									33
34	<b>SubTotal Non-Residential Distributed Energy</b>	<b>(line 27 + line 32)</b>	<b>\$ 37.9</b>	<b>\$ 38.7</b>	<b>\$ 35.8</b>	<b>\$ 35.2</b>	<b>\$ 35.1</b>	<b>\$ 182.6</b>	34
35									35
36	<b>Total Targeted Energy Costs</b>	<b>(line 22 + line 34)</b>	<b>\$ 76.5</b>	<b>\$ 77.9</b>	<b>\$ 75.6</b>	<b>\$ 75.6</b>	<b>\$ 63.2</b>	<b>\$ 368.8</b>	36

## Notes:

- <sup>1</sup> Redacted due to the competitively confidential nature of the information.
- <sup>2</sup> Expected costs of Wholesale DE included in costs associated with Snowflake White Mountain Power, and not included in DE section.
- <sup>3</sup> Reflects total program costs as approved in Decision No. 76295.

# Exhibit 3C: Lifetime Authorization Production Based Incentive status (\$M)

Line No.	Year	Authorization	Description	PBI Lifetime Authorization:
1				
2				
3	2008 <sup>1,2</sup>	\$ 250.0	DE RFP Lifetime Budget	
4	2009 <sup>3</sup>	220.0	Standard PBI Lifetime Budget	
5	2010 <sup>4</sup>	100.0	Standard PBI Lifetime Budget	
6	2011 <sup>5</sup>	100.0	Standard PBI Lifetime Budget (\$73M), School and Government PBI (\$27M)	
7	2012 <sup>6</sup>	95.8	Standard PBI Lifetime Budget (\$30M), School and Government PBI (\$65.8M)	
8	2013 <sup>7</sup>	6.0	Expanded School and Government PBI	
9		<b>\$ 771.8</b>	<b>APS's Approved Lifetime PBI Authorization</b>	
10				
11				
12				
13				
14				
15				
16				
<b>Retirement of Authorizations from Completed Programs:</b>				
		\$	(75.3) DE RFP <sup>8</sup>	
			(57.9) Standard PBI (2009 - 2012)	
			(40.4) School & Government PBI (2011-2012)	
			(7.1) Retained for Expanded School and Government PBI <sup>9</sup>	
		<b>\$ 591.1</b>	<b>Total Remaining Lifetime PBI Authorization</b>	

Line No.	2019	2020	2021	2022	2023
17					
18					
19	Total PBI Commitment	\$ 591.1	\$ 591.1	\$ 591.1	\$ 591.1
20	Cumulative PBI Incentive Payments	225.1	259.6	293.3	324.7
21	Annual PBI Payment (Projected)	34.5	33.7	31.3	30.7
22	Remaining PBI Commitment	\$ 331.5	\$ 297.7	\$ 266.4	\$ 235.7
					\$ 205.0

## Notes:

- <sup>1</sup> Pursuant to Decision No. 71459, APS was authorized a total lifetime PBI Budget Authorization cap of \$250 million for the DE RFP.
- <sup>2</sup> Pursuant to Decision No. 72022, APS was authorized to commit \$25 million of its DE RFP authorization to the Innovative Technologies Program.
- <sup>3</sup> Pursuant to Decision No. 71254, the total lifetime PBI budget through and including 2009 is \$220 million of total contract commitments.
- <sup>4</sup> Pursuant to Decision No. 71459, APS was authorized an additional \$100 million per year lifetime commitment authorization.
- <sup>5</sup> Pursuant to Decision Nos. 72022 and 72174, in 2011, APS committed \$27 million of its Lifetime PBI Budget Authorization towards the Schools and Government program.
- <sup>6</sup> Pursuant to Decision No. 72737, \$30 million allocated to non-residential PBI and \$65.8 million to 2012 S&G.
- <sup>7</sup> Pursuant to Decision No. 73636, ACC authorized \$6M in new PBI program funds and a shift in \$23.5M of unallocated DE RFP funds to support anticipated 2012 S&G program needs.
- <sup>8</sup> Includes \$25M previously allocated to Innovative Technologies and \$49.9M in project commitment reduction due to cancellation of a portion of the DE RFP program
- <sup>9</sup> Additional lifetime PBI authorization to complete program approved pursuant to Decision No. 72737.



## Exhibit 3D: Third Party APS IP Renewable Generation RES Costs (\$/MWh)

		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
<u>Line</u>	<u>No.</u>	<b>Existing Contracts:</b>					<u>Line</u>
1	2	<b>Solar:</b>					<u>No.</u>
2	3	Ajo					1
3	4	Prescott					2
4	5	Badger					3
5	6	Gillespie					4
6	7	Saddle Mountain					5
7	8	Solana CSP					6
8	9						7
9	10	<b>Wind:</b>					8
10	11	Aragonne Mesa					9
11	12	High Lonesome					10
12	13	Perrin Ranch					11
13	14						12
14	15	<b>Geothermal:</b>					13
15	16	Salton Sea/CE Turbo					14
16	17						15
17	18	<b>Biomass/Biogas:</b>					16
18	19	Snowflake White Mountain Power <sup>1</sup>					17
19	20	Sexton (Glendale Landfill)					18
20		Northwest Regional Landfill Gas					19
							20

### **Notes:**

<sup>1</sup> This project is split between Renewable Generation (RG) and Distributed Energy (DE).



Exhibit B

Proposed

Adjustment Schedule REAC - 1



## ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY ADJUSTMENT CHARGE

### AVAILABILITY

The Renewable Energy Adjustment Charge (REAC) applies to all Customer service accounts.

### DESCRIPTION

The monthly REAC charge recovers expenditures made by the Company to meet compliance with Arizona's Renewable Energy Standard.

### CHARGES

The monthly charge for each service account will be calculated at the following rates and surcharge caps:

kWh Charge	\$0.007261	per kWh
------------	------------	---------

#### Surcharge Caps (per service account per month)

Residential Customers	\$2.90	per Month
Non-Residential Customers		
Extra-Small and Small	\$107.88	per Month
Medium	\$181.53	per Month
Large	\$363.05	per Month
Extra Large	\$2,359.83	per Month

Surcharge caps shown above apply to the following:

1. Customers who have not installed an on-site renewable distribution generation system;
2. Customers that installed an on-site renewable distribution generation system prior to July 1, 2012; and
3. Customers that installed an on-site renewable distribution generation system after July 1, 2012 and before February 1, 2013 and did not receive an incentive.



**ADJUSTMENT SCHEDULE REAC-1  
RENEWABLE ENERGY ADJUSTMENT CHARGE**

Alternative REAC Charges, Flat Charges, and Minimum Charges

Residential Customers	\$2.53	Flat charge per Month
Non-Residential Customers		
Extra Small	\$6.06	Minimum charge per month
	\$107.88	Surcharge cap
Small	\$30.31	Minimum charge per month
	\$107.88	Surcharge cap
Medium	\$146.53	Flat charge per month
Large	\$287.03	Flat charge per month
Extra Large	\$2,359.83	Flat charge per month

Flat charges shown above apply to the following:

1. Customers that installed a renewable distributed generation system after July 1, 2012 and received an incentive; and
2. Customers that installed a renewable distributed generation system interconnected to the Company's distribution grid after February 1, 2013, regardless of whether an incentive was received.

Minimum Charges and Surcharge Caps shown above apply to the following:

1. Extra Small and Small General Service Customers that installed a renewable distributed generation system after July 1, 2012 and received an incentive; and
2. Extra Small and Small General Service Customers that installed a renewable distributed generation system and interconnected to the Company's distribution grid after February 1, 2013, regardless of whether an incentive was received.





**ADJUSTMENT SCHEDULE REAC-1  
RENEWABLE ENERGY ADJUSTMENT CHARGE**

NON-RESIDENTIAL CUSTOMER BILLING CATEGORIES

Non-residential Customers served under the following retail rate schedules will be billed under the surcharge categories shown below:

<u>Retail Rate Schedule</u>	<u>Surcharge Category</u>
E-47, E-58, E-59, Contract 12, E-67, E-36M (small option)	Extra-Small
E-32 S, E-32TOU S	Small
E-32 M, E-32TOU M	Medium
E-32 L, E-32TOU L, E-36M (medium option), GS-Schools L	Large
E-34, E-35, E-36 XL	Extra-Large

For non-residential Customers served under the following rate schedules, the surcharge category will be based on the monthly billing demand as shown below:

<u>Retail Rate Schedule</u>	<u>Monthly Billing Demand</u>	<u>Surcharge Category</u>
E-221, E-221 8T	20 kW and less	Extra-small
E-221, E-221 8T	21 - 100 kW	Small
E-221, E-221 8T	101- 400 kW	Medium
E-221, E-221 8T	> 400 kW	Large
GS-Schools M	20 kW and less	Extra-small
GS-Schools M	21 - 100 kW	Small
GS-Schools M	> 100 kW	Medium
E-20	20 kW and less	Extra-small
E-20	> 20 kW	Small

SERVICE DETAILS

1. The charges will be revised annually, effective on the first billing cycle in January, or as otherwise ordered by the Arizona Corporation Commission, and will not be prorated.
2. All the terms and charges in the customer's rate schedule continue to apply to electric service provided under this adjustment.
3. Charges applied under Adjustment Schedules REAC-1 and DSMAC-1 may be combined and shown on the "Environmental Benefits Surcharge" line of the Customer's monthly bill.

Exhibit C  
Proposed  
Adjustment Schedule REAC - 1  
(Redlined)



## ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY ADJUSTMENT CHARGE

### AVAILABILITY

The Renewable Energy Adjustment Charge (REAC) applies to all Customer service accounts.

### DESCRIPTION

The monthly REAC charge recovers expenditures made by the Company to meet compliance with Arizona's Renewable Energy Standard.

### CHARGES

The monthly charge for each service account will be calculated at the following rates and surcharge caps:

kWh Charge	\$0.00 <del>75</del> <u>137261</u>	per kWh
------------	------------------------------------	---------

#### Surcharge Caps (per service account per month)

Residential Customers	<del>\$3.01</del> <u>2.90</u>	per Month
Non-Residential Customers		
Extra-Small and Small	<del>\$111.62</del> <u>107.88</u>	per Month
Medium	<del>\$187.83</del> <u>181.53</u>	per Month
Large	<del>\$375.65</del> <u>363.05</u>	per Month
Extra Large	<del>\$2,441.00</del> <u>2,359.83</u>	per Month

Surcharge caps shown above apply to the following:

1. Customers who have not installed an on-site renewable distribution generation system;
2. Customers that installed an on-site renewable distribution generation system prior to July 1, 2012; and
3. Customers that installed an on-site renewable distribution generation system after July 1, 2012 and before February 1, 2013 and did not receive an incentive.





ADJUSTMENT SCHEDULE REAC-1  
RENEWABLE ENERGY ADJUSTMENT CHARGE

Alternative REAC Charges, Flat Charges, and Minimum Charges

Residential Customers	<del>\$2.74</del> <u>2.53</u>	Flat charge per Month
Non-Residential Customers		
Extra Small	<del>\$6.27</del> <u>6.06</u>	Minimum charge per month
	<del>\$111.62</del> <u>107.88</u>	Surcharge cap
Small	<del>\$31.37</del> <u>30.31</u>	Minimum charge per month
	<del>\$111.62</del> <u>107.88</u>	Surcharge cap
Medium	<del>\$157.84</del> <u>146.53</u>	Flat charge per month
Large	<del>\$326.14</del> <u>287.03</u>	Flat charge per month
Extra Large	<del>\$2,441.00</del> <u>2,359.83</u>	Flat charge per month

Flat charges shown above apply to the following:

1. Customers that installed a renewable distributed generation system after July 1, 2012 and received an incentive; and
2. Customers that installed a renewable distributed generation system interconnected to the Company's distribution grid after February 1, 2013, regardless of whether an incentive was received.

Minimum Charges and Surcharge Caps shown above apply to the following:

1. Extra Small and Small General Service Customers that installed a renewable distributed generation system after July 1, 2012 and received an incentive; and
2. Extra Small and Small General Service Customers that installed a renewable distributed generation system and interconnected to the Company's distribution grid after February 1, 2013, regardless of whether an incentive was received.



## ADJUSTMENT SCHEDULE REAC-1 RENEWABLE ENERGY ADJUSTMENT CHARGE

### NON-RESIDENTIAL CUSTOMER BILLING CATEGORIES

Non-residential Customers served under the following retail rate schedules will be billed under the surcharge categories shown below:

<u>Retail Rate Schedule</u>	<u>Surcharge Category</u>
E-47, E-58, E-59, Contract 12, E-67, E-36M (small option)	Extra-Small
E-32 S, E-32TOU S	Small
E-32 M, E-32TOU M	Medium
E-32 L, E-32TOU L, E-36M (medium option), GS-Schools L	Large
E-34, E-35, E-36 XL	Extra-Large

For non-residential Customers served under the following rate schedules, the surcharge category will be based on the monthly billing demand as shown below:

<u>Retail Rate Schedule</u>	<u>Monthly Billing Demand</u>	<u>Surcharge Category</u>
E-221, E-221 8T	20 kW and less	Extra-small
E-221, E-221 8T	21 - 100 kW	Small
E-221, E-221 8T	101- 400 kW	Medium
E-221, E-221 8T	> 400 kW	Large
GS-Schools M	20 kW and less	Extra-small
GS-Schools M	21 - 100 kW	Small
GS-Schools M	> 100 kW	Medium
E-20	20 kW and less	Extra-small
E-20	> 20 kW	Small

### SERVICE DETAILS

1. The charges will be revised annually, effective on the first billing cycle in January, or as otherwise ordered by the Arizona Corporation Commission, and will not be prorated.
2. All the terms and charges in the customer's rate schedule continue to apply to electric service provided under this adjustment.
3. Charges applied under Adjustment Schedules REAC-1 and DSMAC-1 may be combined and shown on the "Environmental Benefits Surcharge" line of the Customer's monthly bill.

ARIZONA PUBLIC SERVICE COMPANY  
Phoenix, Arizona  
Filed by: Jessica E. Hobbick  
Title: Manager, Revenue Requirements and Pricing  
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